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Middle-skill jobs decline as U.S. labor market becomes more polarized

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In the 1980s, the composition of the labor force shifted from low-skill labor to high-skill labor while the proportion of mid-skill jobs held steady. Beginning in the 1990s and escalating over the past decade, the distribution of jobs began to shift as more jobs became concentrated at the lower and higher levels of the skill spectrum.

In “Middle-skill jobs lost in U.S. labor market polarization,” author Anton Cheremukhin (*Economic Letter*, Federal Reserve Bank of Dallas, May 2014, <http://www.dallasfed.org/assets/documents/research/eclett/2014/el1405.pdf>) argues that the downward trend in the number of middle-skill jobs is not primarily due to changes in labor market institutions, such as declining unionization. The author largely attributes the decline instead to an increase in the automation of tasks, scarcity of workers with appropriate skills, and to a lesser extent, relocation of jobs to foreign countries.

The author characterizes middle-skill jobs as routine jobs that are cognitive or manual in nature and require one to follow precise procedures; examples of middle-skill jobs with declining employment include cashiers and telemarketers (cognitive) and mail carriers and cooks (manual). He characterizes high-skill jobs as nonroutine and cognitive, requiring problem-solving skills—for example, analysts and engineers—and low-skill jobs, such as food service workers, as nonroutine and manual. While middle-skill jobs have decreased from 58 percent of U.S. employment in 1981 to 44 percent in 2011, the number of low- and high-skill jobs increased over that period. The majority of middle-skill jobs that were lost were replaced by high-skill jobs, while the rest were downgraded to low-skill jobs. The largest declines in cognitive routine jobs were in administrative support and sales occupations. Losses in manual, routine jobs included mail carriers, drivers, cooks, and engravers. The loss of middle-skill jobs initially had a more negative impact on women than men. The majority of women, however, were eventually able to upgrade their skills and transition to high-skill jobs, while more than 50 percent of men who lost middle skill-jobs had to transition to low-skill occupations.

In every recession since 1970, the number of middle-skill jobs has declined. The middle-skill jobs lost during the recessions of the 1970s and 1980s were recovered during the period of economic expansion that followed each recession. However, middle-skill jobs lost during the 1990–1991, 2001, and 2007–2009 recessions were not recovered, leading many to refer to the periods of economic expansion following these recessions as “jobless recoveries.” While middle-skill jobs represent close to 45 percent of today’s jobs, a continued shift toward low- and high-skill jobs is expected.